



## **Rhode Island – Residential Property Assessed Clean Energy Program Frequently Asked Questions**

### **1. What is the Property Assessed Clean Energy program?**

Property Assessed Clean Energy, commonly referred to as **PACE**, is a financing program designed to help qualifying homeowners invest in eligible energy efficiency and renewable energy improvements to their property. The Rhode Island General Assembly passed and Governor Lincoln D. Chafee signed the Property Assessed Clean Energy legislation into law on July 15, 2013.

Both the House and Senate PACE legislation can be found at the Office of Energy Resources website under the “Renewable Energy” link: <http://www.energy.ri.gov/renewable/index.php>

### **2. How is this different from a loan?**

PACE is a special assessment, commonly referred to as a PACE Assessment, for a benefit, tied to the property. Unlike a loan, when a transfer of ownership of the property takes place, the PACE assessment obligation stays with the property, not the property owner.

### **3. What are the benefits of PACE for a homeowner?**

Financing is frequently cited as a barrier to investing in energy efficiency and renewable energy. PACE financing can be for up to twenty years, so homeowners can realize energy savings greater than the cost of the PACE assessment right away. In addition, if the homeowner sells the property before the PACE assessment is paid off, the obligation for payment transfers to the buyer of the property along with the energy savings, or it can be paid off at the time of sale.

### **4. What are the benefits of PACE for the municipality?**

In addition to improving the energy fitness of homes in their community, reducing energy costs, PACE creates local jobs (i.e.: contractors, installers, vendors and suppliers) to perform the PACE eligible improvements.

### **5. Is PACE a voluntary program for municipalities?**

Yes, each municipality will have the option of participating in the PACE program. There is no mandate that a municipality has to participate in the program. In addition, only property owners who decide to make a PACE eligible improvement will be subject to the PACE assessment.

### **6. What other New England states have adopted PACE programs?**

Residential PACE programs have been adopted in Maine and Vermont. Rhode Island’s program most closely resembles Vermont’s PACE initiative. As of September 2013, forty-four Vermont towns have voluntarily designated themselves as PACE communities, therefore allowing their homeowners to

participate in the program. It is anticipated that the number of towns participating in the Vermont residential PACE program will grow to over sixty by April 2014.

**7. Do cities/towns need to have a bond referendum for the PACE loans or does the money come from financial institutions?**

No, the cities/towns do not have to have a bond and they do not have to pledge their full faith and credit. PACE financing will be available from participating financial institutions backed by a loan loss reserve fund.

**8. What is a loan loss reserve fund?**

The Office of Energy Resources will contract with an approved institution to manage a loan loss reserve fund. The Office will deposit into the fund a minimum of One Million Dollars (\$1,000,000.00) of American Recovery and Reinvestment Act, Department of Energy State Energy Program funds. The fund will be administered by the approved institution with direct oversight by the Office.

The fund is provided on a “non-recourse” basis, meaning that in the event any losses occur due to defaults on participating properties, the loan loss reserve would represent the only source of funds to make the financing source whole.

**9. If a bank forecloses on a home, what happens to the PACE assessment?**

If there is a PACE assessment in arrears and insufficient funds available to pay them, the Office of Energy Resources will authorize that funds from the loan loss reserve fund be disbursed in an amount equal to the deficiency to the credit facility holding the assessment.

**10. Is the municipality liable for the performance of the project?**

No, municipalities are explicitly excluded from any liability in the event of a project is not performing.

**11. Who will provide implementation support to the municipality considering the PACE program?**

The Office of Energy Resources will provide support to all municipalities. This support will include but not be limited to: providing a template Resolution for council votes in approving their town or city to adopt the PACE program and attending town or city council meetings to explain the PACE program. The PACE Rules and Regulations are currently being developed by the Office.

**12. What types of renewable energy will be eligible in the PACE program?**

Renewable energy measures eligible for PACE financing, alone or in combination with eligible energy efficiency measures, will include:

- Solar domestic hot water system (appropriately sized for residence);
- Solar electric (photovoltaic) system (appropriately sized system or unit on existing rooftops and parking shade structures; or a 20kW system or smaller unit installed on the ground within the boundaries of the existing residence);
- Geothermal (5.5 tons of capacity or smaller, horizontal/vertical, ground, closed loop system);

- Small wind system (20kW or smaller); and
- Wood pellet stoves.

Health and safety measures necessary to safely complete the proposed renewable measures (e.g. roof improvements, larger circuit board, etc.) may be included in PACE financing but shall not exceed more than fifty percent (50%) of the total renewable project cost.

Homeowners should explore grant opportunities offered through the RI Economic Development Corporation and tax credits offered by the Federal Government before entering into PACE financing.

Other renewable energy measures as defined in R.I. Gen. Law § 39-26-5 are eligible for PACE, but will be reviewed by the Office on an as needed basis.

### **13. What types of energy efficiency measures will be eligible in the PACE program?**

Energy Efficiency measures eligible for PACE financing, alone or in combination with eligible renewable energy measures, will include:

- Energy star doors, windows and skylights;
- HVAC equipment;
- Weatherization;
- Seal and insulate heating and cooling distribution systems (e.g., ductwork, piping);

Homeowners should explore all available rebates through the residential energy efficiency programs offered by National Grid prior to entering into PACE financing.

Health and safety measures necessary to safely complete the proposed energy efficiency measures (e.g., ventilation, venting, moisture remediation, vermiculite remediation, removal of knob and tube wiring, etc.) may be included in PACE financing but shall not exceed more than 50% of the total efficiency project cost.

### **14. Will there be an opportunity for the public or municipal officials to comment on the PACE program rules and regulations?**

Yes, the rules and regulations will be made available for public comment in accordance with the State of Rhode Island Administrative Procedures Act.

### **15. Is the PACE program available for commercial or municipal properties?**

No, the PACE program is only available for residential properties.

### **16. What is the timeline for the launch of the PACE program for municipalities to potentially allow their residents to participate?**

The OER anticipates having the PACE program rules and regulations in place by early summer 2014. After the program is established each city or town must pass a resolution designating their municipality as a PACE municipality. That designation will allow municipalities to enter into a written agreement with homeowners allowing them to participate in the program.

For more information please contact:

Rhode Island Office of Energy Resources